

Message Text

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ACTION EUR-12

INFO OCT-01 IO-13 ISO-00 SP-02 USIA-15 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 AGR-10

COME-00 CIAE-00 DODE-00 INR-07 NSAE-00 PA-02 PRS-01

OES-06 L-03 ITC-01 /113 W

----- 038075

R 161537Z JUL 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 3735

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USDEL MTN GENEVA

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PASS AGRICULTURE

E.O. 11652: N/A

TAGS: EAGR UK EC

SUBJECT: UK FEEDSTUFFS CHIEF SPEAKS ON NFDM INCORPORATION AND FUTURE FEED PRICES IN UK

BEGIN SUMMARY: ON JULY 12, DESMOND BIRD, DIRECTOR-GENERAL OF THE COMPOUND ANIMAL FEEDING STUFFS MANUFACTURERS NATIONAL ASSOCIATION (CAFMA) SPOKE OF PROGRESS TOWARDS THE DISPOSAL OF 400.000 TONS NFDM UNDER EC INCORPORATION SCHEME AND PLEADED FOR AN EARLY DECISION TO BE ANNOUNCED ON THE ENDING OF THE SCHEME. HE WARNED UNCLASSIFIED

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OF FUTURE DANGERS OF HIGHER FEED PRICES IN UK AND WARNED

OF IMPACT OF PROPOSALS TO TAX VEGETABLE AND FISH OILS.
END SUMMARY.

1. ADDRESSING THE UK EGG PRODUCERS ASSOCIATION ON JULY 12, DESMOND BIRD, DIRECTOR-GENERAL OF CAFMNA WHICH REPRESENTS BULK OF UK FEED MANUFACTURERS, URGED AN EARLY ANNOUNCEMENT ON WHETHER OR NOT THE EC NFDM INCORPORATION SCHEME WILL BE TERMINATED ON OCTOBER 31. HE NOTED THAT HALF-WAY STAGE OF THE SCHEME HAS NOW BEEN REACHED AND SAID CONTRACTS HAVE BEEN MADE FOR THE SALE OF ABOUT HALF OF THE 400,000 TONS TARGET. ABOUT 70 PERCENT OF THIS AMOUNT HAS ALREADY BEEN REMOVED FROM INTERVENTION. THE UK CONTRIBUTION IS ONLY 10,000 TONS WITH VERY LITTLE DIFFERENCE BETWEEN QUANTITIES CONTRACTED AND RELEASED. MOST OF THE POWDER HAS BEEN TAKEN UP IN GERMANY, FRANCE AND THE NETHERLANDS, REFLECTING IN PART LARGER RATIO OF VEGETABLE PROTEIN TO CEREALS USED IN FEED RATIONS THERE AND ALSO THE LARGER PROPORTION OF PIG FEED IN EUROPEAN COMPOUND PRODUCTION; PIG FEED CAN TAKE UP TO 12 PERCENT NFDM. BIRD FORECAST THAT THE RATE OF TAKE OFF OF POWDER WITHIN THE COMMUNITY SHOULD INCREASE BETWEEN NOW AND OCTOBER 31 AND THE 400,000 TONS TARGET SHOULD BE ACHIEVED.

2. BIRD BLAMED LARDINOIS FOR CAUSING UNCERTAINTY BY SAYING THE SCHEME WILL CONTINUE EVEN AFTER OCTOBER 31 IF 400,000 TONS TARGET REMAINS UNFULFILLED. BIRD SAID TRADE IN RAW MATERIALS CANNOT BE TURNED ON AND OFF LIKE A TAP AND FEED COMPOUNDERS NEED TO KNOW NOW WHAT THE POSITION WILL BE FOR THE PEAK DEMAND PERIOD FOR VEGETABLE PROTEINS IN OCTOBER-DECEMBER. COMPOUNDERS DO NOT WANT TO BE BURDENED WITH LEFT-OVER RAW MATERIALS UNLESS THEY CAN BE ASSURED OF REFUNDS WHEN NON-LEVIABLE MATERIAL COMES ON THE MARKET. HE SAID FAILURE TO GIVE ADEQUATE NOTICE ABOUT TERMINATION OF NFDM SCHEME WILL CAUSE CHAOS AND STOCKS OF VEGETABLE PROTEINS WILL BE RUN DOWN TO THE ABSOLUTE MINIMUM LEADING TO A SCRAMBLE AND POSSIBLY ROCKETING PRICES AFTER OCTOBER 31 IF ADEQUATE PRIOR NOTICE IS NOT GIVEN.

3. AT END OF JUNE A UK FEED TRADE DEPUTATION PRESSED ON UK MINISTER OF AGRICULTURE THE NEED TO APPROACH THE UNCLASSIFIED

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COMMISSION FOR AN EARLY STATEMENT THAT THE DEPOSITS ON VEGETABLE PROTEIN WILL CEASE ON OCTOBER 31 AND FOR AN ASSURANCE THAT DEPOSITS ALREADY PAID ON END STOCKS ON THAT DATE WILL BE REFUNDED.

4. BIRD SPOKE OF DANGERS FACING BRITISH LIVESTOCK INDUSTRY ARISING FROM THE RAPID RISE IN RAW MATERIAL PRICES DURING THE PAST THREE MONTHS; COMPOUNDS HAVE

RISEN ABOUT 15 PERCENT. HE ACKNOWLEDGED THAT NFDM SCHEME HAD ADDED ONLY ABOUT 2 POUNDS PER TON WITH THE REMAINDER BEING DUE TO THE FALL OF STERLING AND TO HIGHER WORLD PRICES BECAUSE OF INCREASED USAGE AND SOME SHORTAGE OF SUPPLIES. HE SAID EVEN IF NFDM SCHEME WERE TO END TOMORROW, FEED PRICES WOULD NOT FALL TO MARCH 1976 LEVELS. INDEED THE ENDING OF THE SCHEME MIGHT EVEN RAISE PRICES OF VEGETABLE PROTEIN.

5. BIRD POINTED OUT THAT THE UPHEAVAL OF THE NFDM SCHEME HAD NOT BEEN WORTH GOING THROUGH SINCE POWDER STOCKS BY

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OCTOBER 31 LOOKED CERTAIN TO BE HIGHER THAN AT THE INCEPTION OF THE SCHEME AND THAT LONGER TERM PROPOSALS WERE NEEDED TO DEAL WITH THE STRUCTURAL DAIRY PROBLEM IN THE EC.

6. BUT HE ATTACKED THE LARDINOIS VEGETABLE AND FISH OIL TAX PROPOSALS AS NO MORE THAN A COSMETIC SCREENING WHICH WILL RESULT IN HIGHER CONSUMER FOOD PRICES. INDEED HE SAID THE CONCEPT WAS VERY SIMILAR TO THE NFDM LEVY SCHEME. BUT AT LEAST THE FEED INDUSTRY AND LIVESTOCK PRODUCERS CAN TAKE SOME COMFORT THAT AT THIS STAGE THE UNCLASSIFIED

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LONG TERM PROPOSALS FOR DEALING WITH THE DAIRY PROBLEM DO NOT ENVISAGE CONTINUING LEVIES ON IMPORTED PROTEINS. BIRD BELIEVED THAT STRONG OPPOSITION BY THE FEED TRADE AND THE BRITISH AND EUROPEAN PARLIAMENTS HAVE HAD SOME EFFECT. HE FEARED THAT INTENSE OPPOSITION TO THE PROPOSED TAX ON VEGETABLE OILS MIGHT PUSH THE COMMISSION INTO PROLONGING THE EXISTING PROTEIN LEVY SYSTEM OR REPLACE IT WITH SOME EVEN MORE UNACCEPTABLE ALTERNATIVE.

7. HE CONCLUDED THAT BOTH THE FEED INDUSTRY AND LIVESTOCK BRODUCERS MUST CONTINUE TO INSIST THAT THE EXISTING LEVY SYSTEM TERMINATES ON OCTOBER 31.

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